January 25, 2000

Sent via e-mail and hand-delivery, fax and/or U.S. Mail

Mary L. Cottrell, Secretary

The Department of Telecommunications and Energy

One South Station, 2nd Floor

Boston, MA 02110

re: Area Code Conservation, D.T.E. 98-38

Dear Secretary Cottrell:

Enclosed please find for filing the Attorney General's responses to AT&T and AT&T's Wireless Services Second Set of Information Requests, ATT-AG-2-1 through 2-7, in the above-referenced proceeding.

Thank you for your attention to this matter.

Sincerely,

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George Dean, Chief

Regulated Industries Division

cc: Kevin Penders, Hearing Officer (w/enc.)

Kenneth W. Salinger, Esq. (w/enc.)

D.T.E. 98-38 Service List (w/enc.)

AT&T AND AT&T WIRELESS

Second Set of Information Requests for the Attorney General

D.T.E. 98-38

Respondent: Lee L. Selwyn

ATT-AG-2-1. According to a subtitle in Dr. Selwyn's Rebuttal Testimony dated October 29, 1999, Dr. Selwyn believes that "[t]here is still time to implement rate center consolidation prior to the exhaust of the four eastern Massachusetts area codes" (see p. 5), despite Dr. Selwyn's recognition that area code exhaust is expected to begin happening "in the first quarter of 2001" in the 617 NPA and shortly thereafter in the 508, 781, and 978 NPAs (see p. 10, n. 14). Dr. Selwyn has advocated either a "Single Rate Center" ("SRC") plan or a 25-rate center "Regional Call Plan ("RCP") for the eastern Massachusetts LATA. Please provide Dr. Selwyn's best estimate as to the number of months that the currently anticipated NXX code exhaust dates for each of the 508, 617, 781, and 978 NPAs would be extended as a result of the implementation of either the proposed SRC or the proposed RCP. Please explain all assumptions and provide all analyses, data or documentation which underlie or support these estimates.

Response:

The effectiveness of rate center consolidation, under either plan, in extending the life of the existing NPAs and/or in eliminating the need for additional NPAs is critically dependent upon the availability of number resources in the existing NPAs at the time that rate center consolidation ("RCC") is finally implemented, along with the availability and operational status of other complementary number resource conservation measures, such as 1,000-block pooling, individual TN pooling, or unassigned number portability. Every day that goes by in which the Department does not act works to reduce the effectiveness of any number resource conservation measure, including RCC. Since Dr. Selwyn does not have information as to any specific date that RCC might be implemented by the Department, the condition of any of the eastern Massachusetts NPAs as of the date at which RCC might be implemented, or the availability and operational status of other number resource conservation measures, he is unable to provide any specific "estimate as to the number of months that the currently anticipated NXX code exhaust dates for each of the 508, 617, 781, and 978 NPAs would be extended as a result of the implementation of either the proposed SRC or the proposed RCP" at this time.

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Second Set of Information Requests for the Attorney General

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Respondent: Lee L. Selwyn

ATT-AG-2-2. It appears that Dr. Selwyn does not accept Bell Atlantic's estimate that it would take Bell Atlantic 24 to 36 months to implement rate center consolidation in eastern Massachusetts. Please provide Dr. Selwyn's estimates for how long it would take to implement his Single Rate Center ("SRC") or Regional Call Plan ("RCP") proposals, identifying each action that Dr. Selwyn believes must be undertaken to implement each proposal, specify how long he believes each such action would take to accomplish, and explain the basis for his estimates. Please explain all assumptions and provide all analyses, data or documentation which underlie or support these estimates.

Response:

See the Rebuttal Testimony of Lee L. Selwyn, filed April 16, 1999 on behalf of the Attorney General, at 9-19.

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Second Set of Information Requests for the Attorney General

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Respondent: Lee L. Selwyn

ATT-AG-2-3. Dr. Selwyn recognizes that his proposed Single Rate Center ("SRC") proposal would eliminate the intraLATA toll market in Massachusetts, and that his proposed Regional Call Plan ("RCP") would substantially reduce the intraLATA toll market. (See Dr. Selwyn's 10/29/99 Rebuttal Testimony, at 13.) Please provide any analysis made or relied upon by Dr. Selwyn regarding the benefits to Massachusetts consumers from an increasingly competitive intraLATA toll market, and the impact upon consumers from either eliminating that market under the SRC, or substantially reducing that market under the RCP. Please explain all assumptions and provide all data or documentation which underlie or support any such analysis.

Response:

Dr. Selwyn would certainly agree, in principle and all else being equal, that there would be "benefits to Massachusetts consumers from an increasingly competitive intraLATA toll market." However, he has not performed any analysis in order to quantify those benefits. Any "impact upon consumers from either eliminating that market under the SRC, or substantially reducing that market under the RCP" would clearly need to be weighed against the impact upon consumers, businesses, institutions, government agencies and the Massachusetts economy generally of introducing additional area codes and/or major changes in existing dialing patterns. According to revenue data provided by BA-MA in its Feasibility Analysis, the entire residential expenditure on intraLATA toll calling in the Eastern Massachusetts LATA for 1998, the last full year prior to the introduction of intraLATA presubscription in April, 1999, was approximately $56-million. One would expect that competition in this segment would likely exert some downward pressure on prices, but the potential impact is somewhat difficult to assess. For one thing, the inclusion of toll-replacing flat-rated calls in several existing BA-MA "optional" calling plans, such as Circle Calling, Eastern LATA unlimited, and Extended Metropolitan Service, largely eliminates the "high-end" intraLATA toll customer from contention by IXC competitors. This point was addressed in the Attorney General's Initial Comments filed in DTE 98-38 on March 19, 1999, at 17:

ILP will not be a practical option for those customers that presently subscribe to a toll-replacing optional calling plan (such as Circle Calling, Bay State East Measured or Unlimited, or Extended Metropolitan Service). For these customers, selecting an intraLATA toll carrier other than Bell Atlantic would cause them to lose most or all of the benefits of their optional calling plan, since both types of toll calls -- in-plan and out-of-plan -- will be routed to their chosen IXC. Thus, while an ILP option will be available on April 20, 1999, IXCs will likely not be able to offer practical competitive options to the cream of the intraLATA toll market -- those toll customers whose high usage volumes justify their purchase of an optional calling plan. In fact, the total residential intraLATA toll revenue base that is potentially available to competing interexchange carriers is only about $56 million, less than 13% of the $444 million in total residential intraLATA usage revenues that are currently being billed by Bell Atlantic-Massachusetts in the Eastern Massachusetts LATA.

An examination of BA-MA and AT&T intraLATA toll rates currently in effect provides little additional information on the potential impact of intraLATA toll competition in Eastern Massachusetts. For example, whereas BA-MA bills its intraLATA toll in one-second increments, AT&T rounds to the next highest minute. BA-MA's residential intraLATA toll rates for the Eastern Mass. LATA are 8, 5 and 4 cents for the day, evening and night/weekend rate periods, respectively. AT&T has a promotional tariff on file effective March 4, 1998 at 10 cents per minute. Dr. Selwyn is aware of a current AT&T Massachusetts intraLATA toll promotional offering at 5 cents per minute, although he has been unable to locate tariff documentation in support of that particular rate. However, because of AT&T's next-highest-minute rounding and assuming an average five minute call duration, that is equivalent to an approximate 5.5 cent per minute rate under one-second rounding.

On the other hand, elimination of some or all intraLATA toll calls also has the potential to provide substantial consumer benefits, and could even work to expand, rather than eliminate, intraLATA calling service competition. First, by eliminating by-the-call billing and call detail, both BA-MA and IXCs will avoid billing and other transaction costs (such as billing inquiry services) that contribute to the cost of calls that are billed as toll. Customers also benefit, in the form of increased consumer surplus, to the extent that usage that would be suppressed under existing toll rate treatment is made, thereby increasing consumption and plant utilization overall. In addition, Dr. Selwyn has specifically recommended that, as part of the overall rate center consolidation plan, all intraLATA usage be opened to competition via presubscription, i.e., that a BA-MA dial tone line customer be given the opportunity to select a carrier (BA-MA or other) for all intraLATA calling, whether rated as local or toll. This point was addressed in the Attorney General's Initial Comments filed in DTE 98-38 on March 19, 1999, at 1-2:

In addition, while competition in the intraLATA network usage market is currently limited solely to those calls that are rated as "toll" in Bell Atlantic's tariff, there is no inherent reason why competition cannot be introduced in all intraLATA usage services. Indeed, the residential intraLATA toll market in Eastern Massachusetts is currently at about $56.4 million annually; the total elimination of all intraLATA toll calling coupled with the opening to competition of all intraLATA usage would make some $320-million of annual residential intraLATA usage revenues available to interexchange carriers and local service competitors. Although the details of such competitive opportunities are beyond the scope of this rate center consolidation proceeding, the Department should consider adopting and implementing rate center consolidation and consider moving expeditiously in a separate docket to expand the scope of competitive entry arising therefrom.

Respondent: Lee L. Selwyn

ATT-AG-2-4. In Footnote 18 of his Rebuttal Testimony, at pages 12-13, Dr. Selwyn states that his two rate center consolidation proposals "expressly contemplate continued participation by competing carriers in the provision of usage services within Eastern Massachusetts, in which case the Company would continue to realize access service revenues." Dr. Selwyn then refers in this footnote to his comments during the July 13, 1999, technical session, at pages 398-399, where he stated as follows:

"With respect to the concerns about competition, I would remind you that the Attorney General's office expressly recommends that as part of the single-rate-center consolidation plan, if that is adopted, that the Department concurrently establish a mechanism whereby competition could be introduced for all LATA usage within that single-rate-center plan by developing some form of access-charge process that would permit other carriers to permit subscribers to select as their primary intraLATA carrier other carriers and that all intraLATA calls would be directed to that carrier; that the carrier would then process those calls much as it might process intraLATA toll calls today and pay to Bell Atlantic an access charge that is geared to the fact that these are now all local calls."

In sum, it appears that Dr. Selwyn believes that, once the intraLATA toll market were eliminated under the Single Rate Center ("SRC") plan or substantially reduced under the Regional Call Plan ("RCP") proposals, the Department could nonetheless create the functional equivalent of a competitive intraLATA toll market by allowing Bell Atlantic customers to pre-select other carriers to provide intraLATA "usage services."

Please provide a full and detailed explanation of Dr. Selwyn's proposal for how such competitive market for intraLATA "usage services" could be created under his SRC or RCP proposals, including but not limited to: (I) a full explanation of what this market for intraLATA "usage services" would consist of; (ii) the size of this market, in terms of minutes of use and revenues under current and projected rates; (iii) the nature, basis, and precise magnitude of the "access charge" that Dr. Selwyn anticipates having competitive carriers pay to Bell Atlantic; and (iv) what relationship, if any, that this new "access charge" would have to existing reciprocal compensation rates or existing intraLATA switched access rates. Please describe in detail all assumptions and provide all data or documentation which underlie or support this explanation.

Response:

See response to ATT-AG-2-3. Although the specific details would need to be developed, as Dr. Selwyn envisions it at a conceptual level, the following modifications to existing treatments would need to be adopted: ILP would be expanded to embrace all intraLATA calling, rather than being limited to calls currently subject to toll rate treatment in the BA-MA tariff. A BA-MA dial tone line customer would be offered the opportunity to select an intraLATA carrier for all intraLATA calling. That carrier would establish its own retail price structure for these services. Because BA-MA offers a variety of flat-rate services, including the Eastern LATA Unlimited service, it would be required to offer flat-rated access charges to competing LATA usage service providers for use by those carriers in connection with flat-rated retail usage package offerings, with the price for the flat-rated access based upon the same usage level upon which the BA-MA flat rate retail service rate is based. All intraLATA access charges would be set at the TELRIC-based rate level that is used to establish reciprocal compensation rates for call origination and termination, respectively. Shortfalls relative to existing rate levels, net of cost savings resulting from elimination of billing and other transaction costs, would be shifted to the BA-MA retail price (in the case of BA-MA retail usage services) or to the BA-MA dial tone line price (in the case of any NTS component of intraLATA switched access charges).

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Second Set of Information Requests for the Attorney General

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Respondent: Lee L. Selwyn

ATT-AG-2-5. In voicing his opinions in this Docket regarding rate center consolidation in eastern Massachusetts, what assumptions or conclusions did Dr. Selwyn make regarding the size of the intraLATA toll market today in the eastern Massachusetts LATA? Please provide all data or documentation which support Dr. Selwyn's understanding of the size of the intraLATA toll market in eastern Massachusetts.

Response:

Dr. Selwyn bases his information on revenue data provided by BA-MA in response to the BA-MA Feasibility Analysis filed with the DTE on September 24, 1999. See also response to ATT-AG-2-3.

AT&T AND AT&T WIRELESS

Second Set of Information Requests for the Attorney General

D.T.E. 98-38

Respondent: Lee L. Selwyn

ATT-AG-2-6. In footnote 24 of his Rebuttal Testimony, at pages 15-16, Dr. Selwyn suggests that rate center consolidation could reduce Bell Atlantic's administrative costs. Please provide Dr. Selwyn's estimates of the impact of his Single Rate Center ("SRC") and Regional Call Plan ("RCP") proposals on: (I) the administrative costs of Bell Atlantic; or (ii) the administrative costs of other carriers. Please explain all assumptions and provide all analyses, data or documentation which underlie or support these estimates.

Response:

See response to ATT-AG-2-3. Dr. Selwyn has not undertaken a specific study or analysis that would permit him to quantify the potential savings in administration costs associated with detail toll billing. Some of this information would be available to AT&T, however, which routinely selects among alternative billing strategies for various categories of customers. For example, one might use BA-MA's charges for "casual toll call" billing and collection services as a basis for estimating the potential administrative costs savings arising from the outright elimination of all toll detail billing. In the case of intraLATA toll calling, this is the only toll detail that currently appears on a BA-MA bill since BA-MA is not permitted to offer toll services outside of the LATA. Hence, if all intraLATA toll calling were eliminated as in the SRC plan, the entire BA-MA detail toll billing function would be obviated. In addition to the bill preparation itself, the activity requires call detail recording and data collection and processing, and bill inquiry services where customers question individual call charges. Elimination of all intraLATA toll calling would also save operator and other costs as collect, third-party-billed, and credit card calls would be largely eliminated (for intraLATA calling) as well, a savings that would be directly reflected in lower payments by customers.

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Second Set of Information Requests for the Attorney General

D.T.E. 98-38

Respondent: Lee L. Selwyn

ATT-AG-2-7. Why does the number of flat rate customers assumed in Table 1 of Dr. Selwyn's Rebuttal Testimony at page 32 (1,230,876) differ from the number of flat rate customers assumed in Table 2 on the following page (1,223,934)?

Response:

The quantity of flat rate customers listed in Table 2 reflects the actual number of BA-MA 1FR customers in the eastern LATA (1,223,934), according to the information provided in BA-MA's September 24, 1999 Feasibility Analysis. In Table 1, Dr. Selwyn incorrectly included in the count of "flat rate subscribers" those 6,942 customers currently subscribing to BA-MA's 2FR, MS4E Low Use and MS4E Standard services, as reported in BA-MA's Feasibility Analysis. Under his assumptions, these customers would in fact be migrated to the flat rate SRC rate of $26.82. However, since the table is intended to show the changes in rates faced by various customer classes under the Single Rate Center Plan and because current rates differ for each customer class, these other customers should have been reported separately (or simply omitted as they were in Table 2, since their number is extremely small). The discrepancy between Tables 1 and 2 has no effect upon the calculation of the applicable rate for "flat rate" customers under the Single Rate Center Plan.